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TO RUEHC/SECSTATE WASHDC IMMEDIATE 9397
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY
RUCNIRA/IRAN COLLECTIVE PRIORITY
RUEHGG/UN SECURITY COUNCIL COLLECTIVE PRIORITY
RUEHFL/AMCONSUL FLORENCE PRIORITY 2760
RUEHMIL/AMCONSUL MILAN PRIORITY 9094
RUEHNP/AMCONSUL NAPLES PRIORITY 2905

C O N F I D E N T I A L SECTION 01 OF 02 ROME 002337

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PASS TO ISN/RA RICHARD NEPHEW AND IO/T HEATHER VON BEHREN

E.O. 12958: DECL: 11/17/2017

TAGS: [KNNP](#) [MNUC](#) [IAEA](#) [IR](#) [PARM](#) [AORC](#) [IT](#)

SUBJECT: ITALY ON IRAN IAEA REPORT: NO ABSOLUTION FOR
TEHRAN; CONCERN OVER TYPES OF SANCTIONS UNSC WILL REQUIRE

REF: STATE 151038

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Classified By: Acting Political Minister Counselor Jonathan R. Cohen for reasons 1.4 b and d.

Summary

¶1. (C) Poloff delivered Iran IAEA points (State 157039) to MFA Non-Proliferation Office Director Emanuele Farruggia and Iran Desk Officer Lorenzo Kluzer. Farruggia said the preliminary Italian reactions to El Baradei's report are that much remains to be clarified,⁸ and that the IAEA's inability to verify the peaceful nature of Iran's activities coupled with Iran's continued enrichment is especially disturbing. Both said they Italy would prefer action in the UNSC over autonomous EU action. Kluzer stressed that the goal of UNSC action should be to target proliferation activities and not the Iranian people, and thought the hard debate might be deciding which sanctions to apply. He expressed concerns over blanket export credit bans, transport embargoes, and steps that would cripple the Iranian energy sector. Kluzer said Italy would have no problem listing additional entities or individuals, implementing a travel ban or banning all weapons/arms sales. End Summary.

¶2. (C) Farruggia said the preliminary Italian reactions to El Baradei's report are that much remains to be clarified,⁸ and that the IAEA's inability to verify the peaceful nature of Iran's activities coupled with Iran's continued enrichment is especially disturbing. Farruggia shared with us an internal MFA memo that states the El Baradei report does not grant Tehran absolution for its past activities.⁸ Poloff stressed that the U.S. counted on vocal Italian support for UNSC action. Farruggia said Italy preferred UN action over other venues (i.e. EU), and he personally hoped his government would be vocal in calling for UNSC action.

¶3. (C) Kluzer echoed Farruggia's comments and said the GOI "shares your overall assessment" that the new report is not "good enough for Iran to escape new debate at the UNSC." When Poloff pressed him as to whether this meant Italy would also support further action in the UNSC, he said he thinks another round of UNSC sanctions is inevitable, and that it would be easier to reach agreement on a new round of sanctions but that the debate over what kind of sanctions

could be difficult.

¶4. (C) Kluzer said Italy would have no problem listing additional entities or individuals, implementing a travel ban or banning all weapons/arms sales. He indicated it would be very hard for Italy to support a ban on new export credit assurances, a blanket embargo on transport, or actions that could cripple the energy sector.

¶5. (C) On the topic of export credit insurance, Kluzer explained that it is a very technical matter and that Italy might be flexible on supporting a ban on "new" credit insurances for "new" contracts, but that Italy had to maintain the flexibility to extend additional credit to Iran to complete projects for which partial credit had already been extended - otherwise Italy could risk never receiving credit for the amount of credit originally extended. To illustrate his point, Kluzer said if Italy had extended one billion euros for the construction of a power plant 10 years ago and now the plant is almost finished but is running over budget and the credit agency is asked for an additional ten million euros in order to complete the project - the credit agency must maintain the flexibility to offer it otherwise the Italian tax payer will be liable for the original one billion should the plant remain unfinished. Kluzer said Germany is in a similar position, and that Germany's views are similar on this issue.

¶6. (C) Kluzer said the GOI has seen copies of draft P5 plus one resolutions, and that Italy would have a hard time supporting a blanket embargo on Iranian transport. He said the drafts he had read called for all shipments (sea and air) to and from Iran to be subject to checks and inspections. The GOI believes this would be impossible to enforce. Kluzer also said that crippling the Iranian energy sector would be an unacceptable outcome for Italy. He explained that doing so would have a disastrous effect on global oil prices.

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¶7. (C) Kluzer stressed that additional sanctions should target proliferation activities and not the general public. He noted Italy is already seeing a "substitution effect" with China whose trade with Iran in 2007 has increased twenty-fold since 1995, while Italian trade with Iran was down twenty percent this year.

¶8. (C) As for EU autonomous sanctions, Kluzer said the subject would not be on the agenda for the November GAERC, as the preparatory committees tasked with the subject were not ready to deliver their reports. He expected Solana to deliver his report to the GAERC at the end of November, and that Foreign Ministers might be ready to discuss autonomous EU actions at the December GAERC. Italy would prefer to discuss further UNSC actions in New York prior to the December GAERC.
SPOGLI